



Quarterly Financial Report

Third Quarter of 2013-14

May 27, 2014

The financial information in this report reflects the City's overall financial position for the fiscal year through March 2014.

EXECUTIVE SUMMARY

Amendments. The General Fund budget presented in this third quarter report reflects the adopted budget of \$95,861,764 along with eleven budget amendments approved by City Council. A summary of the budget amendments that were approved as of March 31, 2014 is presented below. The budget amendments that involved an appropriation from fund balance are noted with an asterisk. The total fund balance appropriation as of March 31 was \$600,453.

Adopted Budget	95,861,764
Budget Amendments:	
Technical: Move Changing Together to Grant Fund	(79,060)
Technical: Move Computer Purch. to Capital Fund	(350,000)
Add School Resource Officer	49,842
Senior Op Center/Harvest House Grant	7,786
Energy Efficiency Rebates	11,229
Norfolk Southern Haz Mat Gift	1,400
Lyman Street Quiet Zone Payment*	15,000
Moogfest Contribution*	40,000
Storm Control Expenses*	150,000
Outside Legal Expenses*	95,000
Release Water Contingency Funds*	<u>300,453</u>
3/31/2014 Budget	<u>\$96,103,414</u>

*Fund Balance Appropriation

Revenues. Through March 31, 2014, the City has collected \$81.3 million in General Fund revenue, which represents approximately 85% of the total General Fund revenue budget. Revenue collections through the first three quarters of this fiscal year are running slightly ahead of where they were one year ago in terms of budget versus actual. The City has received eight months of sales tax revenue, and collections are up 3.3% compared to the prior year. Sales tax revenue growth in the current year has been slower than in the prior year and less than projected when the budget was developed last spring. As a result, staff is projecting that sales tax revenue will come in under budget by \$350,000. Development Services (DSD) revenue continues to perform well; as of the end of March, DSD revenues had already exceeded budget estimates. With the bulk of property tax revenue received in December and January, that revenue source is now at 97% of budget, which is typical for this point in the fiscal year. Overall, staff is currently projecting that ***FY 2013-14 General Fund revenue will come in right on budget.***

Expenditures. General Fund expenditures through March 31, 2014 totaled \$60.0 million or 61% of budget, which is slightly under where they were at this point in the fiscal year. Personnel expenses, the largest component of the General Fund budget, are at budget through the first three quarters. Expenditures for fuel, fleet maintenance, health care, and utilities continue to perform better than budget through the first three quarters. ***Based on the trends noted above, staff is projecting that expenditures (excluding contract and purchase order commitments) will finish the year under budget by \$4.6 million (95% of budget).***

Fund Balance. The City ended FY 2012-13 with available fund balance of \$15.4 million, which equated to 17.6% of FY 2012-13 expenditures. Based on ***current revenue and expenditure projections for FY 2013-14***, staff estimates that available fund balance at June 30, 2014 will be \$16.7 million or 17.7% of estimated expenditures.

GENERAL FUND

	Revised	3/31/2014	Year-End	Pos./(Neg.)
	Budget	Actuals	Estimate	Bud. Variance
Revenues:				
Property Taxes	51,606,975	50,227,921	51,456,975	(150,000)
Sales & Other Taxes	18,084,277	10,682,000	17,734,277	(350,000)
Intergovernmental	11,229,228	8,193,036	11,329,228	100,000
Licenses & Permits	4,706,690	4,468,201	5,206,690	500,000
Sales & Services	8,503,319	6,355,022	8,106,946	(396,373)
Investment Earnings	150,000	109,810	120,000	(30,000)
Miscellaneous	1,192,692	1,250,664	1,492,692	300,000
Other Financing Sources	<u>29,780</u>	<u>9,557</u>	<u>29,780</u>	<u>0</u>
Total Revenue	<u>95,502,961</u>	<u>81,296,210</u>	<u>95,476,588</u>	<u>(26,373)</u>
Expenditures:				
Administration	4,581,779	2,753,639	4,281,779	300,000
Legal Services	750,412	502,404	700,412	50,000
Finance & Management	2,572,775	2,011,414	2,472,775	100,000
Human Resources	1,400,823	888,851	1,250,823	150,000
Information Tech. Srv	2,679,716	1,461,344	2,479,716	200,000
Nondepartmental	13,578,553	4,955,518	13,378,553	200,000
Economic Development	766,979	441,889	616,979	150,000
Fire	19,978,027	14,515,118	19,878,027	100,000
Police	22,826,233	14,955,956	22,626,233	200,000
Building Safety	2,831,224	1,951,046	2,681,224	150,000
Transportation	1,254,462	705,484	1,054,462	200,000
Public Works	14,632,769	7,935,399	12,632,769	2,000,000
Planning	1,563,541	772,995	1,263,541	300,000
Parks & Recreation	<u>9,465,144</u>	<u>6,176,199</u>	<u>8,965,144</u>	<u>500,000</u>
Total Expenditure	<u>98,882,437</u>	<u>60,027,255</u>	<u>94,282,437</u>	<u>4,600,000</u>
Reserve for Encumbrances	<u>(2,779,024)</u>			
Rev. (Under) Exp & Enc	<u>(600,453)</u>	<u>21,268,955</u>	<u>1,194,151</u>	
Unassigned Fund Balance:				
Fund Bal. Change	<u>(600,453)</u>		<u>1,194,151</u>	
Beginning Fund Balance	<u>15,485,434</u>		<u>15,485,434</u>	
Ending Fund Balance	<u>14,884,981</u>		<u>16,679,585</u>	
Fund Balance Percentage	<u>15.1%</u>		<u>17.7%</u>	

REVENUES:

At this point in the fiscal year, staff is projecting FY 2013-14 General Fund revenue will be \$95,476,588 which is \$26,000 or 0.03% below the revised budget. Major revenues to report on for the 3rd quarter include:

Property taxes. With the bulk of property tax revenue received in December and January, collections are now at 97% of budget, which is typical for this point in the fiscal year. As was reported in the Second Quarter report, assessed valuation data from the County indicate that budget estimates for the current fiscal year are on track. However, staff does still remain concerned about the collection rate for motor vehicle property taxes due to the shift from County to State collection this fiscal year (Tag and Tax Together program). Current estimates indicate that overall property tax revenue will come in under budget by \$150,000 or 0.30%

Sales taxes. To date, the City has received eight months of sales tax revenue, and collections are up 3.3% compared to the prior year. Sales tax revenue growth in the current year has been slower than in the prior year and less than projected when the budget was developed last spring. As a result, staff is projecting that sales tax revenue will come in under budget by \$350,000.

Intergovernmental. The City has received three of the four quarterly state utility tax payments, and revenue is down 1.69% compared to the same time period in the prior fiscal year. This revenue source is highly sensitive to weather conditions; so with the colder than normal winter weather, it is possible that the final quarterly payment will be higher than in the prior year. Staff is currently projecting that state utility tax revenue will come in on budget. Overall projections for the intergovernmental revenue category remain unchanged from the 2nd Quarter Report.

Other Revenues. As noted in the earlier reports to Council, the Sales and Services revenue category reflects the City's loss of approximately \$600,000 in revenue in the current fiscal year as a result of the Town of Biltmore Forest cancelling its fire protection contract with the City of Asheville. Other revenues in this category, however, are performing better than budget which is helping to partially offset the loss of the Biltmore Forest fire contract revenue. On a positive note, revenues in the Development Services Department (DSD) had already exceeded budget at the end of March. Based on these results and other revenue trends, staff is projecting that License and Permit revenue will exceed budget by \$500,000 by year end. Finally, based on collections to date, staff anticipates that ABC revenue (which is reflected in the Miscellaneous category) will also exceed budget.

EXPENDITURES:

Salaries. During the first three quarters, there were 18.36 payroll cycles charged against the FY 2013-14 budget, which represents 70.4% of the total payroll cycles that will occur during this fiscal year. Actual salary expenses through the first three quarters were running on budget.

Fuel & Fleet Maintenance. The General Fund FY 2013-14 budget for fuel and fleet maintenance expenses totals \$3.0 million. Through the first three quarters, fuel and fleet expenses are at 71% of budget, a positive result.

Other Expenses. Despite the cold winter weather, utility costs were still performing better than budget through March. Because of the colder weather and the occurrence of more winter storms, storm control expenditures this fiscal year are approximately \$200,000 higher than they were in the previous fiscal year. As noted earlier in this report, City Council approved a budget amendment to provide additional funding for the higher than anticipated storm control expenses. Finally, health care expenditures citywide through three quarters continue to be flat compared to last fiscal year – a positive budget trend.

FUND BALANCE ANALYSIS:

The City ended FY 2012-13 with available fund balance of \$15.4 million, which equated to 17.6% of FY 2012-13 expenditures. Based on current revenue and expenditure projections for FY 2013-14, staff estimates that available fund balance at June 30, 2014 will be \$16.7 million or 17.7% of estimated expenditures. . The City's Financial Management Policy recommends that the City maintain a fund balance equal to 15% of the current-year budget expenditures.

ENTERPRISE FUNDS

The following information summarizes year-to-date and year-end projections for the City's six enterprise funds.

US Cellular Center Fund

	Revised Budget	3/31/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Operating Revenue*	2,422,506	1,814,746	2,450,917	28,411
Expenditure	3,308,433	2,147,297	3,201,668	106,765
Rev. Over/(Under) Exp.	(885,927)	(332,551)	(750,751)	--

* Represents operating revenue before general fund subsidy

Third quarter highlights in FY14 included the annual Southern Conference Basketball Championship Tournament which announced a total attendance of 29,594 - Another successful year for the Southern Conference, Asheville Buncombe Regional Sports Commission and the City. The Center hosted three additional dates in the ExploreAsheville.com Arena and three additional event dates in the Thomas Wolfe Auditorium compared to FY13. Traditionally Q3 is the Center's slowest quarter, and event bookings are up year to year for fourth quarter FY14. Staff anticipates a positive outcome to the FY14 budget.

Transit Fund

	Adopted Budget	3/31/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Revenue	5,769,288	3,074,530	5,769,288	0
Expenditure	5,769,288	4,085,996	5,769,288	0
Rev. Over/(Under) Exp.	0	(1,011,465)	0	--

Expenses are running slightly ahead of budget at the end of the third quarter and staff is monitoring this closely. Fare revenue is 1.4% below the expected revenue for this quarter but other revenues, such as partnerships and passport program are higher than expected. Ridership has decreased 0.9% to date, which demonstrates ridership has stabilized (last period it had increased 1.2%). Ridership during the last quarter was affected by 3 snow days during the quarter. Ridership trends will continue to be monitored to determine if the recovery is maintained the rest of the year. The fund shows a deficit at the end of the 3rd quarter due to the timing of federal and state grant draw downs. The federal funds have been awarded to the city, however and will be drawn down by year end.

Water Fund

	Revised Budget	3/31/2014 Actuals	Year-End Estimate	Pos./(Neg.) Bud. Variance
Revenue*	33,961,959	25,758,518	34,141,517	179,558
Expenditure	42,304,346	30,430,431	41,078,734	1,225,612
Rev. Over/(Under) Exp.	(8,342,387)	(4,671,914)	(6,937,217)	--

* Does not include fund balance appropriation

Water operating revenues are projected to be \$179,558 over budget based on current trends. Water expenditures are now projected to be \$1,225,612 under budget due to a variety of factors. Water Resources held a number of positions vacant in the first quarter which reduced personnel costs. Due to the passing of House Bill 252, the department does not have to transfer the budgeted \$1.3 million Sullivan Act funds. Part of the \$1.3 million was used for: (1) legal expenses associated with the water lawsuit; and (2) projects that are currently underway, including the Azalea Road / Lake Craig 8-inch water line, a contract with the Mills River Partnership, and a new sodium hypochlorite tank at the William DeBruhl Water Treatment Plant. The remaining funds will be redirected to other projects to align the goals in City Council's Strategic Operating Plan.

It should be noted that the Water Fund adopted budget included an \$8.3 million appropriation from fund balance for capital improvements. Based on current revenue and expenditure results, it does not appear that this full fund balance appropriation will be needed.

Parking Fund

	Adopted Budget	3/31/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Revenue	3,856,700	3,189,964	4,200,000	343,300
Expenditure	3,856,700	2,211,798	3,500,000	356,700
Rev. Over/(Under) Exp.	0	978,166	700,000	--

Most categories of parking revenues are in line, or exceeding, expectations for FY 2014. Garage revenues, especially special event parking and transient (hourly) parking in the garages, have been exceptionally strong. Revenues for parking citation penalties and late fees are slightly below expectations due to unexpected employee challenges and the transition to a new parking citation management system but this situation is expected to improve, and staff expects these revenues to end the year close to projections. Unexpected repairs including replacements of the air compressor and sprinkler pipes at the Civic Center Garage and the HVAC system at the Wall Street Garage, along with repairs to damaged pipes due to freezing, will increase maintenance expenditures. However, staff still expects that total expenditures will come in under budget estimates.

Stormwater Fund

	Revised Budget	3/31/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Revenue*	3,218,723	2,048,944	3,120,294	(98,429)
Expenditure	3,700,534	2,439,303	3,300,000	400,534
Rev. Over/(Under) Exp.	(481,811)	(390,359)	(179,706)	--

* Does not include fund balance appropriation

The Stormwater Fund budget includes a \$481,811 appropriation from fund balance for capital improvements. Based on current year revenue and expenditure results, it does not appear that this full fund balance appropriation will be needed.

The stormwater construction crew installed 354 ft. of pipe on several streets within the city limits to include the following: 28 ft. on Bassett Rd, 35 ft. of pipe on Brookwood Rd, 140 ft. on Upland Rd and Valley Ln, 15 ft. on Brucemont Circle, 136 ft. on Pinecroft Rd. The stormwater maintenance crew completed 38 work orders during the third quarter: 9 ditch line, 4 sinkhole repairs, 17 reset lid or grate and 8 rain day drain cleaning. The stormwater maintenance crews also swept 543 miles of roadways, cleaned 1172 catch basins and inspected an additional 1587 catch basins, which resulted in the removal of 306 tons of material and debris.

Street Cut Utility Fund

	Adopted Budget	3/31/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Revenue	1,493,808	661,298	1,300,000	(193,808)
Expenditure	1,493,808	962,780	1,300,000	193,808
Rev. Over/(Under) Exp.	0	(301,482)	0	--

The Utility Patch Crews have patched 536 asphalt cuts and 68 concrete cuts for the Water Department; 66 asphalt cuts and 33 concrete cuts for PSNC; 210 asphalt cuts and 53 concrete cuts for MSD; and 25 asphalt cuts for the Stormwater Division since July 1, for a total of 991 cuts. An additional 409 dirt cuts were inspected.

CAPITAL PROJECT UPDATE

Radio Infrastructure – I1301

Budget	Expenditures & Encumbrances	Avail. Budget
6,142,000	123,400	6,018,600

With the project needs assessment complete and approved, staff moved on to development of a request for proposals. The executive steering team provided feedback and direction on the project. The project execution team reached consensus on a procurement approach that supports proposals from regional partners and traditional vendors in a single request so all responses may be evaluated in relation to public safety needs. Work continues on evaluation of field units, tower site connectivity, and opportunities for tower capacity improvements to meet current and planned needs. The team is also sampling radio reception and signal strength throughout the city so that officers and dispatchers can use real-world signal strength maps for improved situational awareness.

US Cellular Center Renovations – C1301 and C1103

Budget	Expenditures & Encumbrances	Avail. Budget
11,199,358	10,988,850	210,508

Work on the most recent phase of renovations at the U.S. Cellular Center, which began in March 2013, is nearly completed. Delays in delivery of certain materials and equipment caused the project to be extended beyond the original completion date of February 21, 2014. The project will be finished, save for typical punch list items, by May 15, 2014. Included in this most recent phase of renovations was the complete transformation of the meeting rooms located on the Mezzanine level of the Arena. Three of the rooms were converted into two spacious VIP rooms complete with sliding glass window for the VIP guests to view events taking place on the arena floor. All of the meeting spaces have been equipped with new audio/video capabilities so the rooms can be used for break out rooms for larger conventions and presentations can be done on large screen televisions. Other work included in this phase of the renovations include updated ticket office layout, complete renovation of the front plaza and main lobby entrances, new storage areas created in the loading dock area, new digital marquee, new basketball court and goals and a beautiful public art piece incorporated into the terrazzo floor in the main lobby leading to the historic Thomas Wolfe Auditorium.

Beaucatcher Greenway – R1201

Budget	Expenditures & Encumbrances	Avail. Budget
1,261,781	326,955	934,826

The construction drawings are well underway but there have been delays in terms of addressing access along the right-of-way, White Fawn utilities, etc. which have delayed the process. Once these are addressed, the public process can commence and the construction drawings can be completed. It is anticipated this may occur by August 2014

TIGER Grant II for Clingman Forest & Town Branch Greenways – R1301, R1403 & D1103

Budget	Expenditures & Encumbrances	Avail. Budget
470,000	368,407	101,593

The construction drawings are about 95% complete but the project was expanded in terms of scope (roundabout, boardwalks and a stormwater project) so the time of completion drawings is now anticipated for May 2014.

Greenway Land Acquisition- R1103

Budget	Expenditures & Encumbrances	Avail. Budget
549,315	134,122	415,193

There was progress in securing two properties on the West Bank of the French Broad River Greenway to link the existing greenway system. With funding now made available, easements along the Town Branch Greenway and Clingman Forest Greenway will be pursued during 2014 pending Economic Development's availability and negotiation outcomes.

WNC Nature Center – New Entrance & Animal Exhibits Project – R1211, R1311, R1411

Budget	Expenditures & Encumbrances	Avail. Budget
186,582	89,800	96,782

The new entrance design should be completed in July FY 2015. In addition, a consultant is developing the construction documents for the structures and landscape, including a pavilion and restrooms. These will be design-build. This process is delayed as the locations of previously unknown storm water and water lines are being determined. The plans should be complete in July 2014.

Parks & Recreation Maintenance – Deferred Maintenance Account and R1405, R1406, R1407

Budget	Expenditures & Encumbrances	Avail. Budget
504,185	344,390	159,795

\$14,000 for front door replacement and site accessibility improvements at the Montford Complex has been encumbered and the work is in process. \$14,000 for design for bathroom accessibility upgrades at the Montford Complex has been encumbered. \$38,000 has been encumbered for the Master Plan update for the Montford Complex. Design Development for the Velodrome renovation and Carrier Park bathroom renovation is 45% complete. \$10,000 has been expended on mulch and equipment for playground safety improvement projects at various sites.

Public Art Acquisition- R1202

Budget	Expenditures & Encumbrances	Avail. Budget
160,221	16,800	143,421

Public Art Project 51 Biltmore

Call for artist was issued for artwork on the north exterior wall of the public parking garage located next to the Aloft Hotel at 51 Biltmore Avenue. Over 100 artists responded to the call and three finalists were selected. A public meeting with the artists was held as part of the final selection process. An artist was selected at the end of April. Project construction completion date is targeted for October.

Handi Park and Flying Frog Demolition and Retaining Wall- Q1404

Budget	Expenditures & Encumbrances	Avail. Budget
413,978	413,952	26

The demolition is complete. The retaining wall and safety rail will be complete by the end of May.

Street Resurfacing (FY14 Contract) - 11003002

Budget	Expenditures & Encumbrances	Avail. Budget
1,600,000	0	1,600,000

The contract for street resurfacing will be brought to Council on May 13th. The plan is to repair 5.44 miles of roadway.

Haywood Rd Multi-Modal Improvements- K1301

Budget	Expenditures & Encumbrances	Avail. Budget
220,000	0	220,000

There is one final easement to be obtained before letting the contract and going to construction. The design is 95% completed. The construction contract should be award in July.

Hendersonville Rd Sidewalk –K1404

Budget	Expenditures & Encumbrances	Avail. Budget
4,125,000	206,665	3,919,335

This project is in the surveying, design and environmental planning stage. Easement acquisition has begun. Staff is working with NCDOT, as well the Department of Interior, to complete the various planning and design documents to prepare for the letting of the contract in FY 15.

Lakeshore Drive Sidewalk – K1208

Budget	Expenditures & Encumbrances	Avail. Budget
216,759	0	216,759

The design for the sidewalk is 50% complete and will be completed by June. The construction should start August.

Victoria Road Storm Drainage – S1202

Budget	Expenditures & Encumbrances	Avail. Budget
700,000	104,426	595,574

City crews have installed new storm water conveyance systems along Victoria Road. The project also consists of stabilization of the bank along Victoria Road where storm water had flowed over. A new engineer will need to be acquired for this project, anticipated construction to take place fall of this year.

Lake Craig/Azalea Road Improvements- K1104

Budget	Expenditures & Encumbrances	Avail. Budget
5,709,847	5,650,413	59,434

Construction is underway for the project. Young and McQueen is on site currently and the anticipated completion is this winter. City staff continues to coordinate with ABYSA and the Nature Center on construction activities. Earth moving activities are taking place as well as the construction of the bridge abutments.

Craven Street Improvements – E1202

Budget	Expenditures & Encumbrances	Avail. Budget
852,604	852,604	0

The project is out for bid currently. The bid opening is scheduled for May 1. This project consists of improvements to the roadway, storm water system, installation of regional water quality improvements, a low impact parking area and a greenway. It is anticipated construction will begin in the spring/summer. Coordination with other agencies and utility companies is continuing in order to finalize necessary permits for the project. It is anticipated that work will begin this summer.

City Hall Repairs – B1101

Budget	Expenditures & Encumbrances	Avail. Budget
6,001,833	4,273,891	1,727,942

The harsh winter weather slowed progress on this project. The windows have been replaced on the seventh floor, and work is progressing on the eighth floor, Mortar re-pointing is 80% completed and the total project completion to date is around 89%.

National Guard Armory Repairs – B1102

Budget	Expenditures & Encumbrances	Avail. Budget
60,000	48,133	11,867

Ready to close out, however these funds may be required to build a wood shop area if Park's Maintenance moves to Gashes Creek.

410A HVAC Conversion – B1202

Budget	Expenditures & Encumbrances	Avail. Budget
370,000	179,466	190,534

Additional units have been replaced during the winter, putting the project at the 60% completion mark. Progress will continue throughout the summer.

FY13 and FY14 Roof Replacements – B1301, B1401

Budget	Expenditures & Encumbrances	Avail. Budget
364,000	173,307	190,693

Many ball field shelters have been re-roofed this spring. Fire stations # 2 and old # 4 have been completed. There are currently contracts in place to re-roof the North Asheville Center and East Asheville Center/library/FS#8 for shingle replacement.

McCormick Field Clubhouse – R1401

Budget	Expenditures & Encumbrances	Avail. Budget
100,000	75,944	24,056

This project is 90% complete with some additional scope of work added to stop water intrusion at the concessions areas.

Police Evidence Room Ventilation System – B1302

Budget	Expenditures & Encumbrances	Avail. Budget
100,000	94,767	5,233

This project has been completed.

INVESTMENT REPORT

The total cash and investments for the City of Asheville at March 31, 2014 were \$116,365,677. These investments represent cash and cash equivalents and do not reflect budgeted contractual commitments against these funds. These investments comply with North Carolina General Statutes, the City's investment policies and the City's bond restrictions. The average rate of return for all investments is 0.43%. Shown below are the total investments as of March 31, 2014, reduced by contractual commitments and the funds that are restricted by bond order.

Total Cash & Investments as of 3/31/14		\$116,365,677
Less:		
Budgeted Commitments:		
Outstanding Encumbrances	(18,998,530)	
Bond Restricted Funds:		
Bond Service (Funds held by trustee)	(2,501,719)	
Bond Proceeds to Be Drawn Down	<u>(3,560,469)</u>	
		<u>(25,060,718)</u>
Net Amount		\$91,304,959

Attached to this report are a graph and a table that provide greater detail on the allocation of funds within the City's investment portfolio.

SUMMARY

For more information. This summary is based on detailed information produced by the City's financial management system. If you would like additional information, or have any questions about the report, please call the Management and Budget Office at 259-5635.
